

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2398-01
BILL NO.: HB 1175
SUBJECT: Taxation and Revenue: Political Subdivisions
TYPE: Original
DATE: January 13, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(unknown)	(unknown)
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(unknown)	(unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(UP TO \$3,250,000)	(UP TO \$3,250,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Department of Elementary and Secondary Education officials note that the proposal would decrease tax collections, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) “on the formula” districts would recoup their losses through state payments, and 2) “hold harmless” districts would not recover losses through additional payments through the Foundation Formula.

Officials of the **State Tax Commission** note that each penny of property tax brings in about \$6,500,000. They also note that the amount of current “rounds up” and “not roll backs” vary from subdivision to subdivision.

The **Cole County Assessor** stated that the negative effect on political subdivisions in his county could range from \$800 to \$80,000.

Oversight notes that losses statewide could range from \$65,000 to \$6,500,000, but assumes that the average loss would be one-half cent. Oversight also assumes that a decrease of even \$6,500,000 on line 2 of the Foundation Formula would not increase the cost to fully fund the Formula by a significant amount.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Cost</u> - Department of Elementary and Secondary Education			
Increased transfers to State School Moneys Fund	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
STATE SCHOOL MONEYS FUND			
<u>Income</u> - Increased transfers from General Revenue Fund	\$0	Unknown	Unknown
<u>Cost</u> - Increased distributions to school districts	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
POLITICAL SUBDIVISIONS			
<u>Income</u> - Increased distribution from State School Moneys Fund	\$0	unknown	unknown
<u>Cost</u> - Decreased property tax collections	\$0	(\$3,250,000)	(\$3,250,000)
NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Up To \$3,250,000)</u>	<u>(Up To \$3,250,000)</u>

FISCAL IMPACT - Small Business

Small businesses which pay property taxes would be affected by of this proposal.

DESCRIPTION

This proposal would require property taxing authorities to express tax rates in fractions equal to the nearest one/one hundredth of a cent. Authorities could round up a fraction greater than one/one thousandth of a cent to the next higher one/one hundredth of a cent.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Tax Commission
Cole County Assessor



Jeanne Jarrett, CPA
Director
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